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SUBJECT: CHANGE IS IN THE AIR: JORDAN'S AVIATION PRIVATIZATION
EFFORTS

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proprietary information - not for distribution outside the USG.

REF: A. AMMAN 483
[¶](#)B. AMMAN 1299

[¶](#)1. (U) Summary: Several privatization and restructuring efforts continue in Jordan's aviation sector with the support of the King and Parliament (ref A). The Cabinet approved privatization of 74% of Royal Jordanian's stock shares. A contract has been signed for the expansion and private management of Queen Alia International Airport (QAIA). Queen Noor Aviation College (QNAC) which trains regional air traffic controllers, is also up for bid. To complement these privatization efforts, the Jordan Civil Aviation Authority became the Jordan Civil Aviation Commission, a regulatory body, effective August 1. End Summary.

74% of Royal Jordanian Airlines to Be Privatized

[¶](#)2. (SBU) In a July 18 meeting with the Ambassador, Minister of Transport Saud Nseirat said that the Cabinet had agreed to the Royal Jordanian (RJ) deal to privatize 74% of Royal Jordanian stock shares, with the government keeping 26%. The shares to be sold to non-Jordanians will be capped at 49%. An initial public offering (IPO) is expected this year. The Minister said that RJ was doing well overall. This week, RJ began non-stop service to Budapest and now serves 54 cities - including Chicago, Detroit, and New York -- on four continents. Previously this year, RJ announced plans to acquire up to twelve Boeing 787s through direct purchase and lease contracts (reftel B).

Ongoing Negotiations on Open Skies

[¶](#)3. (SBU) Minister Nseirat added that Jordan has Open Skies agreements with Kuwait, Oman, and Saudi Arabia. He said he has been working aggressively to sign an agreement with Egypt, but that the discussions have been difficult. The Minister said the Government of Jordan (GoJ) is also in Open Skies discussions with Tunisia and Algeria. NOTE: Jordan and the United States implemented an Open Skies agreement in 1996, the United States' first outside of Europe. END NOTE. Currently, U.S. carriers fly to Jordan using code-share partners.

Expansion of Queen Alia International Airport

[¶](#)4. (SBU) This spring, the international ADP consortium won the bid for the extension, establishment, and management of Queen Alia

International Airport (QAIA). The ADP consortium is comprised of international investment houses, construction companies and management firms, including Aeroport de Paris Management which operates 23 airports worldwide. Abu Dhabi Investment Corporation will have the largest stake. The Minister predicted that the new QAIA will be ready by 2010 and that construction work will begin in three months. ADP will spend an estimated \$10-\$15 million to improve the current facilities, and \$550 million on new facilities to triple the airport's capacity. The Minister said that he believed Jordan got a great deal on this investment, which includes ADP paying 50% of the airport's annual revenue to the Jordanian government. ADP won the bid by submitting the highest concession fees offer to the GoJ.

¶15. (U) Five consortia were short-listed during the bidding process, and the International Finance Corporation (IFC) - the private sector arm of the World Bank Group was brought in as an independent advisor to the Government. During a July 25 meeting with EconOffs, the CEO of a Jordanian-Kuwaiti investment firm that did not win the final bid complimented the airport bidding process for its transparency, project management, and speed. Although disappointed that her firm was not selected, she felt that the process served Jordan well and was fair. She also said that the use of an external financial advisor should be replicated on other large government projects.

¶16. (SBU) During a July 23 meeting with EconOff, QAIA's air traffic control tower manager and his colleagues expressed concerns about job security after the ADP consortium take-over, but were excited about the projected growth in capacity. The tower manager and several supervisors also shared with EconOff additional concerns about low wages and insufficient manning for air traffic controllers.

Queen Noor Aviation College Up for Bid

AMMAN 00003286 002 OF 002

¶17. (SBU) Queen Noor Aviation College was founded in 1973 and serves as one of the region's training centers for air traffic controllers. 60% of its students are from Jordan, and 40% come from other countries in the Middle East. Jordan's Executive Privatization Commission designated the school as a "potential investment opportunity," and Minister Nseirat reported that the Government had received three bids for the college. According to the school's dean, the bidders include a New Zealand company and Royal Jordanian Air Academy, a flight school which was itself previously privatized.

¶18. (SBU) During a July 22 meeting, the dean and his team expressed some concerns about the scope of change that may result from privatization, but emphasized their commitment to training. A visiting delegation of FAA, United States Air Force, and British Royal Air Force officials described the school's facilities as good, but not state-of-the-art.

Jordan Civil Aviation from Authority to Commission

¶19. (U) As part of the privatization process in the aviation sector, Jordan has also been developing a clearer regulatory role for the Jordan Civil Aviation Authority (JCAA). As of August 1, the JCAA became the Jordan Civil Aviation Commission (JCAC); the names of the new commissioners are expected to be released soon. During an August 1 meeting with JCAC, its Director of Civil Aviation Security said he expected that the staff at JCAC would be streamlined to a core team focused on policy. He also expected the new commission would be more independent from the Ministry of Transport.

¶10. (U) Jordan's new Civil Aviation Law stipulates that the Commission will be responsible for organizing civil aviation issues including aviation safety, economic, and environmental organization. It will also assume responsibility for contracting with investors, executing Ministry policy, and studying and negotiating discussions in preparation for international treaties and agreements in civil aviation. Article 8 of the Law emphasizes that the Commission will

temporarily continue to operate and manage civil aviation utilities, such as the airports and the college that have been operated and managed by the Civil Aviation Authority, until the investor contracts are finalized.

Comment

11. (SBU) In addition to increased government revenue, the major aim of these privatization moves is increased competition in the country's aviation sector. The lack of excess capacity at QAIA has until now limited Jordan's ability to embrace a comprehensive Open Skies policy. Theoretically, under bi-lateral or multi-lateral Open Skies agreements any airline operator should have a fair and equal ability to compete. Until now, however, limited capacity has maintained the status quo in terms of flight and passenger loads, and Royal Jordanian Airlines has continued to dominate the local market. Tourism industry officials have also said that the limited capacity at the airport, and the relative high cost of RJ tickets, has thus far limited Jordan's ability to expand its tourism sector. These privatization steps and associated changes in government structure should serve to support Jordan's growing aviation and tourism sectors. Correspondingly however, the challenges inherent in transition to privatization, such as low manning and low salaries could potentially become a serious safety and security concern for Jordan's airspace and airports if not proactively addressed.

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